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## **Mayor's Budget Message Fiscal Year 2025-2026**

Honorable City Council Members,

Tonight, I present for your consideration the proposed FY 2026 budgetary plan for the City of Westbrook, which includes the projected revenues and expenditures for all municipal and school operations. While this is my second time presenting a proposed budget to the Council for review, this was my first opportunity to participate in the administrative development of the proposed budget from start to finish.

This has been a particularly challenging year. The rampant inflation of recent years has continued, resulting in dramatic increases in the costs for goods, services, labor, and housing. We as city leaders are faced with the challenge of providing essential public services to our community while balancing the property tax burden necessary to fund municipal and educational operations.

Last year we saw unavoidable increases in both city and school expenditures as labor contracts were negotiated and wages were brought up to meet the reality of the labor market in our region. I feel strongly that the budget enacted this year must take into account the burden of last year's increases. We are facing an affordability crisis right now, and we cannot ask too much of property taxpayers in this environment. For that reason, I directed all municipal departments to prepare budgets that would require no more than a 3% increase in municipal expenditures. The effect of instituting a cap is drastic. This required departments to reduce or delay previously anticipated investments and to offset the obligatory increases in areas such as labor costs and insurance rates. Instituting this cap was further complicated by uncertainty in State and Federal funding streams for essential services. However, I believe that it is irresponsible and unsustainable to deliver a major tax increase to our property taxpayers in today's environment.

I shared the guidance I gave our municipal departments with the School Department during their budget preparation and review process. Their series of review meetings have concluded, and the first approval of their budget was completed by the School Committee last Wednesday. Although they were unable to deliver a proposed budget with as modest an increase as the municipal budget, I am pleased to be able to say that the significant reductions made on the municipal portion of the budget, combined with increased non-tax revenues, significantly blunts the overall impacts of school's increased expenditures.

This year city staff have updated the Tax Rate Calculation summary document we refer to each year to explain our budget. These updates are intended to increase clarity and are in response to questions we have fielded about this document in previous budget cycles. I now will go over some of the figures in this document and I encourage City Councilors and members of the public to refer to that sheet for a quick reference.

## Municipal Budget

This budget was developed by making hard choices, and I want to explain how we have managed to deliver such a small increase this year. The city is primarily a service-delivery organization. As a result, most municipal department costs relate to labor. To mitigate the effects of contractually obligated increases in labor costs for existing staff, I have denied requests for any new staff this year. In addition, positions that were budgeted to begin at the half-year mark in FY 2025 have been left unfilled, and have been defunded for FY 2026. These positions include two Police Officers, two Firefighter Paramedics, and one part-time Administrative Assistant. I want to be clear that the need for these positions remain unchanged. However, our taxpayers simply cannot afford them in FY 2026. We have left the descriptions for these positions in the budget documents provided, noting that they are funded at \$0. This was a painful – but necessary – decision. I hope to revisit these positions in FY 2027.

Proposed municipal expenditures total \$36,709,036, representing a \$962,064 (or 2.69%) increase over FY 25. When offset by a projected \$810,340 (or 4.06%) growth in non-property-tax revenue, this yields a **net tax need increase in the municipal budget of less than 1%** (\$118,280, or 0.75%). To be exact, we expect the net tax need increase on the municipal side to be 0.75%, a figure that I think delivers on our obligation not to overburden our taxpayers while still maintaining the services that make Westbrook an exceptional place to live and work.

I would like to emphasize that these results were not easy to achieve while maintaining current municipal operations and services. While we were able to avoid layoffs of existing municipal personnel, this budget does eliminate three additional full-time positions. When combined with the Police Officer, Firefighter Paramedic, and Administrative Assistant positions that were slated to begin this past January, this results in a total elimination of seven full-time and one part-time positions.

I want to thank municipal departments for their work in crafting a responsible proposal resulting in this 0.75% net increase to taxpayer needs. This was no easy feat and could not have been accomplished without their hard work and creative problem solving.

## School Budget

Although my staff and I did not play a role in their process, I can report to you the numbers the School Committee ultimately arrived at last week. Proposed school expenditures total \$54,046,201, representing a \$3,033,619 (or 5.95%) increase over FY 2025. When offset by a projected \$1,057,461 (or 5.18%) growth in non-property-tax revenue, this yields a **net tax need increase in the school budget of 6.46%**. The School Committee is slated to meet on Wednesday, April 9, 2025, for its second and final reading of this proposed budget. I thank the School Committee and School Administration for their hard work. And I thank the City Council Finance Committee Chair Jen Munro for her participation in all of the school's budget review meetings so that she can share with you all her observations from those deliberations.

## TIF, Cumberland County & Tax Needs Summary

I want to move now to the Tax Increment Financing (or TIF for short) entry on the Tax Calculation Summary document. This figure outlines the projected total tax revenue from captured assessed value in all TIF districts, which under State law must be transferred from the general fund to a segregated account. The FY

2026 budget projects a total revenue of \$6,364,694, a reduction of \$98,954 (or -1.53%) over FY 2025. This represents the net projected growth in assessed value in TIF districts. The reason for the reduction is due to the expiration of one TIF district. We will go into further detail on this during the Council's review process of the budget.

I want to thank all City Councilors, School Committee members, and members of the public who were able to attend our recent presentation on Tax Increment Financing, when we were able to review how TIFs work, how the City maximizes the use of eligible TIF funds, and how we continue to use TIFs as an economic development tool to support growth while offsetting the costs of necessary upgrades to public infrastructure that would otherwise be wholly funded by our taxpayers.

The Cumberland County tax assessment for FY 2026 totals \$2,148,200, representing a \$191,656 (or 9.8%) increase.

In sum, this proposed budget reflects a cumulative need for property taxes of \$57,033,228, an increase of \$2,187,140 (or 3.99%). This is the figure that the City Council is tasked with reviewing and adopting.

### **Projected Valuation**

The Assessor's preliminary valuation projections show no change in the valuations over FY 2025. Preliminary reports suggest that while mild growth exists within real estate value, these increases are wholly offset by declines within personal property value.

Thankfully, and unlike last year, we do not expect any changes in tax exemptions and property tax assistance programs for this coming year. The Homestead Property Tax Exemption program for qualified homeowners is expected to remain at \$22,500 of assessed valuation, and other programs that provide property tax assistance for seniors and lower-income families remain stable. There are numerous legislative proposals currently under consideration in Augusta that relate to tax assistance, all of which would further enhance these programs, if approved.

### **Estimated Tax Rate**

Finally, let's discuss the ultimate impact we expect to see on the tax rate. Based upon the proposed budgets and the current City-wide assessed valuation, the estimated property tax rate for FY 2026 would result in an increase of \$0.59 per \$1,000 of assessed value over the current fiscal year, a 3.99% increase. For the owner of a single-family home in Westbrook valued at the median assessed value of \$341,500, this proposed budget would result in an additional \$201.48 to their annual tax bill.

As noted above, it is important to emphasize that this is an estimate based on current assessed valuation numbers. The final property tax rate will be determined by the Assessor, following (a) final approval of the budget, and (b) final calculation of the City-wide assessed valuation, assessment ratios, and all tax exemptions, which occur in early July. This also assumes that the voters pass the school budget as presented by the school committee in its current form at the school budgeted referendum on June 10<sup>th</sup>.

It has been an honor to work with the city's staff to prepare the budget I present to you today. Thank you all for the opportunity to serve as Mayor of the City of Westbrook, and I invite the public to participate in the City Council's upcoming review and deliberations on the proposed FY 2026 budget, as follows:

- Monday April 7, 2025 (Finance Committee Meeting)
- Tuesday April 8, 2025 (Finance Committee Meeting)
- Monday April 14, 2025 (Finance Committee Meeting)
- Wednesday April 16, 2025 (Finance Committee Meeting)
- Monday April 28, 2025 (Special City Council Meeting, 1<sup>st</sup> reading of the budget)
- Monday May 5, 2025 (Regular City Council Meeting, 2<sup>nd</sup> reading of the budget)